

Financial Bulletin



JANUARY 2022

Dear CRF Member,

Happy new year and we wish you and your family all the best for 2022. The 2021 year ended on a strong note for risky asset classes including offshore equity, despite slight Rand appreciation in December. Globally, bond prices moved lower in anticipation of rising interest rates in the US. Local listed property was the best performing asset class for the month and the calendar year.

The returns of the major asset classes ended December 2021 were as follows:

	1 month	3 months	6 Months	1 year
SA Equity (Capped SWIX)	4.9%	8.7%	12.1%	27.1%
SA Bonds (ALBI)	2.7%	2.9%	3.2%	8.4%
SA Property (ALPI)	7.9%	8.3%	14.8%	36.9%
SA Cash (STeFI)	0.3%	1.0%	1.9%	3.8%
SA Inflation Linked Bonds (CILI)	4.5%	5.1%	7.2%	15.5%
Global Equity (MSCI World (\$))	4.3%	7.8%	7.8%	21.8%
Global Equity (MSCI World (R))	3.9%	14.3%	20.4%	32.4%
Global Bonds (WGBI (\$))	-0.6%	-1.1%	-2.3%	-7.0%
Global Bonds (WGBI (R))	-1.0%	4.9%	9.2%	1.1%

The returns of the CRF portfolios (net of all fees) to the end of December 2021 were as follows:

Portfolio	1 month	3 months	6 months	1 year
CRF Aggressive Portfolio	2.9%	7.8%	11.1%	22.5%
CRF Growth Portfolio	2.9%	7.4%	10.3%	20.9%
CRF Moderate Portfolio	2.2%	5.3%	7.4%	14.5%
CRF In-Fund Pension Portfolio	3.9%	4.7%	6.6%	15.6%
CRF Money Market Portfolio	0.5%	1.1%	2.3%	4.5%
CRF Shari'ah Portfolio	2.3%	7.8%	11.6%	21.5%
CRF Children's Benefit Portfolio	2.0%	4.0%	6.6%	12.7%

With the new Covid Omicron variant having not been as deadly as feared, this waning risk in December helped boost investor sentiment in the last month of the year. However, inflation pressures globally have persisted, which led to a hawkish shift in global monetary policy, with many Central Banks starting to hike interest rates or alerting markets that normalisation of interest rate policy will commence in 2022.

The Bank of England delivered a surprise hike in December, while central banks in Norway, Czech Republic, Poland, Russia, Mexico, Brazil, Chile, Peru, and Colombia continued their hiking cycles. In contrast, China eased, albeit very modestly, with a 0.5% cut.

Yet risky asset classes were, for the most part, unperturbed by the repricing in interest rate expectations as global equity markets ended the year on a strong note. Even the escalating geopolitical tensions with the threat of Russia invading Ukraine did not dent investor optimism in the final month of 2021. These risks remain and after one of the longest bull markets in our history, we are becoming more cautious regarding our offshore listed assets.

US CPI increased to 7.0% for the year in December, from 6.8% year on year in November and the increase was driven by higher food prices while energy prices were down. Supply chain disruptions and a rapidly rising oil price are likely to keep prices elevated into 2022 with a further increase in CPI expected in the coming months. While it had been expected that the US Federal Reserve would start to only lift interest rates in late 2022 / early 2023, the Federal Reserve reversed their position and their updated guidance indicated at least three rate hikes in 2022. The analysts' consensus forecast has also pulled the timing of the first hike into the first half of 2022, whereas only a few months ago many dismissed the idea of "lift-off" in 2022.

Locally, CPI increased more than expected to 5.9% for the year in December from 5.5% in November. This inflation increase was driven mainly by rising fuel and food prices. Retail sales overshot expectations and increased by 3.3% for the year in November, from 1.9% in October. While third quarter economic growth disappointed, with the 1.5% decline largely due to the Covid Delta wave and social unrest, the current account remained comfortably in surplus, at 3.6% of GDP in the third quarter of the year. South Africa's growth outlook remains precarious as the boost provided by strong global growth, high commodity prices as well as record low interest rates is expected to wane.

Despite the spectre of rising rates globally, offshore equity is expected to outperform bonds in 2022 although returns are likely to be volatile and relatively low compared to last year. Offshore US markets are looking expensive, especially technology stocks that are trading at valuations last seen in the dot-com bubble in the late 1990s. However, local South African equity market valuations remain attractive in our view, especially relative to 2015 / 2016.

As we start 2022 it has not been all smooth sailing and volatility has persisted. Investing is seldom a smooth ride which is why staying invested is of the utmost importance as time in the market is key. The CRF remains committed to ensuring that the hard-earned savings of its members are wisely invested, being both proactive in its investment strategy and mindful of the need to stay the course over the long term.

To conclude, I would like to invite you to please be on the lookout for details on the upcoming CRF Trustee Roadshow in March. The Trustees will be traveling to venues near you to provide feedback on how the Fund performed over the last financial year. We will update our website with venues and dates as soon as they have been confirmed.

Kind regards,



Mr Raymond Wentworth
Principal Executive Officer

Board of Trustees: Mr SA Mokweni (Chairperson), Mr JJ Wagner (Deputy Chairperson), Mr PJS Gouws, Mr IR Iversen, Mr TA Loko, Mr PJF Louw, Mr L Mbandazayo, Ms C Meyer, Mr AM Owen, Mr ET Scott, Mr SN Toni, Mr FA Willemse

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